

FRANCHISE TAX BOARD
MINUTES
APRIL 4, 2007 MEETING

The Franchise Tax Board met in open session at 1:30 p.m. at the Franchise Tax Board, 9646 Butterfield Way, Gerald Goldberg Auditorium, Sacramento, California. Present were Hon. John Chiang, Hon. Betty T. Yee, and Hon. Michael C. Genest.

Franchise Tax Board

Staff Participating: Selvi Stanislaus, John W. Davies, Patrick Kusiak, Ben Miller, Carl Joseph, Anne Miller, Cathy Cleek, Kathy Harker, Craig Swieso, Brian Putler, Titus Toyama, Geoff Way, and Colleen Berwick.

Others Participating: John McBeth, Franklin Templeton Investments; Robert Steiger, Chevron Corporation; Jim Brown, Capital Group Companies; Jeff Vesely, Pillsbury Winthrop Shaw Pittman LLP; Robert Waldow, Heller Ehrman White & McAuliffe LLP; Joanne Garvey, Heller Ehrman White & McAuliffe LLP; Patrick Shannon, Greenberg Traurig LLP; Neal Reilly, Barclays Global Investors; Philip Plant, Plant Law Firm; Margaret Egan, Fidelity Investments; Marnie Niziolek, Morgan Stanley; Greg Garcia, Waddell & Reed; Fred Main, Manatt Phelps Phillips; Barry Weissman, PricewaterhouseCoopers LLP; Teresa Casazza, California Taxpayers' Association; Charles Ajalat, Ajalat, Polley, Ayoob & Matarese; Ray Rossi, Intel Corporation; Brian Toman, Reed Smith LLP; Wm. Gregory Turner, Nielsen, Merksamer, Parrinello, Mueller & Naylor; William Hamm, LECG; Gina Rodriquez, Spidell Publishing.

Item 1. – Approval of Minutes

The minutes of the two December 4, 2006, Franchise Tax Board meetings and the minutes of the December 4, 2006, Taxpayer Bill of Rights Hearing, were approved (2-0), Ms. Yee abstained.

Item 2. – Legislative Matters

The Board received a staff report on conformity to recent federal changes.

The Board heard from the following member of the public regarding this Agenda item:

Teresa Casazza - California Taxpayers' Association

Item 3. – Filing Season Update

The Board received a staff report regarding the filing season.

Item 4. – Interested Parties Meeting Process

The Board received a staff report regarding interested parties meetings.

The Board heard from the following members of the public regarding this Agenda item:

Teresa Casazza - California Taxpayers' Association
Gina Rodriquez - Spidell Publishing

Item 5. – Microsoft/GM Interested Parties Meeting

The Board received a staff report regarding the Microsoft/GM Interested Parties Meetings held in January 2007 and March 2007.

The Board heard from the following members of the public regarding this Agenda item:

Wm. Gregory Turner - Nielsen, Merksamer, Parrinello, Mueller & Naylor
Charles Ajalat - Ajalat, Polley, Ayoob & Matarese
Ray Rossi - Intel Corporation
Brian Toman - Reed Smith LLP
Robert Steiger - Chevron Corporation

The Board voted 2-1 (Member Genest voting no) to proceed with draft regulation proposal #2.

Item 6. – Regulation Matters

- a. Draft proposed regulations 25137-7 (Airlines) and 25101.3 (Airline Property).

The Board received a staff report on the purpose of amending regulation 25137-7 and adopting a regulation for section 25101.3.

The Board voted unanimously (3-0) to approve an interested parties meeting.

- b. Draft proposed regulation 25137-14 (Mutual Funds).

The Board received a staff report and summary of comments and recommendations.

The Board heard from the following members of the public regarding this Agenda item:

John McBeth - Franklin Templeton Investments
Jim Brown - Capital Group Companies
Jeff Vesely - Pillsbury Winthrop Shaw Pittman LLP
Robert Waldow - Heller Ehrman White & McAuliffe LLP

Patrick Shannon - Greenberg Traurig LLP
Neal Reilly - Barclays Global Investors
Philip Plant - Plant Law Firm
Margaret Egan - Fidelity Investments
Marnie Niziolek - Morgan Stanley
Greg Garcia - Waddell & Reed
Fred Main - Manatt Phelps Phillips
Brian Toman - Reed Smith LLP
William Hamm - LECG
Joanne Garvey - Heller Ehrman White & McAuliffe LLP

The Board voted unanimously (3-0) to approve the adoption of regulation.

- c. Draft Proposed Regulations 24411 (Deduction for Certain Dividends) and 25106.5 (Intercompany Transactions).

The Board received a staff report on the status of the proposed regulations.

The Board heard from the following members of the public regarding this Agenda item:

Barry Weissman - PricewaterhouseCoopers LLP
Jeff Vesely - Pillsbury Winthrop Shaw Pittman LLP

The Board voted unanimously (3-0) to approve the staff request to proceed with formal regulatory process.

Item 7. – Administrative Matters

Contracts over \$1 million – Board approval.

1. International Business Machines (IBM) Annual License.
2. International Business Machines (IBM) Passport Advantage Server License Renewal.
3. Software AG License.

The Board voted 2-0 (Member Genest abstaining) to approve the contracts.

Item 8. – Succession Planning

The Board received a staff report on succession planning.

Item 9. – Child Support

The Board received a staff report on the child support project.

Item 10. – Executive Officer's Time

The Executive Officer welcomed the new Board to the second FTB Meeting to be held at FTB, welcomed State Controller and FTB Chair Chiang, welcomed Member Yee as the newest member of the Franchise Tax Board, and welcomed Member Genest's return.

There were three issues discussed by the Executive Officer:

1. FTB employees' appreciation for the Board's interest and support in the welfare of the FTB staff.
2. Member Yee's question regarding data sharing.
3. Chief Counsel John W. Davies' pending retirement.

Item 11. – Board Members' Time

There was no discussion under this Agenda item.

The Chair announced the agenda for and the Board convened in Closed Session commencing at 3:55 p.m. pursuant to Government Code section 11126.3.

The Board reconvened in Open Session and adjourned the meeting at 4:13 p.m.

Board Liaison

Date